

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MASSACHUSETTS

BLUE HILLS OFFICE PARK LLC,  
Plaintiff/Defendant-in-Counterclaim

v.

J.P. MORGAN CHASE BANK, as Trustee for  
the Registered Holders of Credit Suisse First  
Boston Mortgage Securities Corp., Commercial  
Mortgage Pass-Through Certificates, Series 1999-C1  
Defendant

and CSFB 1999 – C1 ROYALL STREET, LLC  
Defendant/Plaintiff-in-Counterclaim

and

WILLIAM LANGELIER and GERALD FINEBERG  
Defendants-in-Counterclaim

Civil Action No. 05-CV-10506 (WGY)

**AFFIDAVIT OF JOSEPH DONOVAN IN OPPOSITION TO  
DEFENDANTS AND PLAINTIFFS-IN-COUNTERCLAIMS  
MOTIONS FOR SUMMARY JUDGMENT**

Joseph Donovan, on oath, deposes and says as follows:

1. I am the Chief Financial officer for Fineberg Management, Inc. (“FMI”), which managed the property formerly owned by Blue Hills Office Park LLC (“Blue Hills”). I am authorized to and I am making this affidavit in opposition to Defendants and Plaintiffs-in-Counterclaims Motions for Summary Judgment. The facts set forth herein are based upon the business records of FMI and Blue Hills. To the extent that any portion of this affidavit is based upon information and belief, I believe the same to be true.

2. Under the Mortgage, Assignment of Leases and Rents and Security Agreement between Blue Hills Office Park LLC and Credit Suisse First Boston Mortgage Capital LLC dated September 14, 1999 (the “Mortgage Agreement”), Blue Hills furnished to Wells Fargo Bank’s Commercial Mortgage Servicing Group (“Wells Fargo”) financial information concerning Blue Hills both quarterly and annually. Generally, the information which FMI furnished to Wells Fargo consisted of an income and expense statement, a rent roll (consisting of one page as Equiserve, Inc., which occupied approximately

96% of the subject property) and a one or two page statement of Blue Hills' assets and liabilities. Whether or not additional financial information was required by Wells Fargo, Wells Fargo never requested that FMI furnish any such additional financial information. Had it done so - and had such information existed or could be prepared - the information would have been promptly sent to Wells Fargo. Upon information and belief, all information which Wells Fargo requested was furnished to it.

3. I have reviewed the Affidavit of Curtis Mallegni in Support of Defendants' and Counterclaimants' Motion for Summary Judgment and the exhibits attached thereto. Mr. Mallegni states that Wells Fargo did not receive a statement of Blue Hills' assets and liabilities. However, attached as exhibits to Mr. Mallegni's Affidavit are income and expense statements for Blue Hills for the year ended December 31, 2003 (faxed to Wells Fargo on February 23, 2004), and income and expense statements for the first and second quarter of 2004 (faxed respectively on May 18, 2004 and August 12, 2004). As part of the regular course of FMI's business, FMI prepared the necessary financial information for Blue Hills and forwarded it to Wells Fargo. For the years ended December 31, 2002, 2003 and 2004 - as in all previous years - FMI caused the preparation of statements of assets and liabilities for Blue Hills by Blue Hills accounting firm, Rutfield & Hassey CPA. Copies of those statements are attached hereto as Exhibits A through C.

4. Exhibit B is the Blue Hills December 31, 2003 statement of assets and liabilities. That statement shows the reduction in basis adjustment made to the subject property in 2003 as a result of Blue Hills' receipt of the \$2 million settlement from DST Realty, Inc.

5. Had Wells Fargo advised FMI that it had not received the 2003 statement of assets and liabilities - or had misplaced it - FMI would have forwarded to Wells Fargo another copy of it.

6. Blue Hills is a so-called "disregarded entity" for tax purposes. Therefore, all income, expense, profit and loss is recorded in the financial records of Blue Hills' sole member, Royall Associates Realty Trust (the "Trust").

7. I have also reviewed the Expert Rebuttal Report of Eric S. Stotz. In his report, Mr. Stotz states that Eric Stotz ("Stotz") had a discussion with me in which I represented to him that Blue Hills would "give the keys back" to LNR Partners, Inc. and the Property was "bleeding money." Mr. Stotz further states in his report that I told him that Blue Hills was walking away from the Property due to the lack of tenant prospects and high holding costs of owning an investment property. I did not have any discussions with Stotz in which I made those representations, nor did I ever use the terms such as "give the keys back" or "bleeding money" or any similar words to Stotz or to anyone else.

8. I have also reviewed CSFB's (the "Lender") Memorandum in Support of its Motion for Summary Judgment. On page 11, CSFB asserts that approximately \$100,000 worth of work stations were sold by Blue Hills on August 19, 2004. These were work stations that were abandoned by Equiserve upon Lease expiration and became Blue Hills' property under paragraph 1(vi) of the Lease Termination Agreement Blue Hills executed with Equiserve. Blue Hills was able to negotiate the sale of these work stations on or about August 19, 2004 for \$100,000. Blue Hills did not believe that these work stations constituted part of the Lender's collateral and they were sold approximately one month prior to Blue Hills' receipt of LNR Partners, Inc.'s default letter dated September 17, 2004. Blue Hills contends that it did not require Lender's consent to sell the workstations under Section 10 of the Mortgage Agreement. Accordingly, by selling the workstations Blue Hills committed no Event of Default under Section 23(d) of the Mortgage Agreement.

9. Under the Cash Management Agreement, once all of the reserve accounts were fully funded, funds remaining on deposit in the Lender controlled bank reverted to Blue Hills. In 2003 and 2004, on average, Wells Fargo wired to Blue Hills' operating account approximately \$175,000 per month. These funds were unrestricted and Blue Hills used them to pay the operating expenses for the Blue Hills Office Park property. To the extent there were any funds available after payment of those expenses, Blue Hills was able to distribute them to the Trust beneficiaries.

SIGNED UNDER THE PAINS AND PENALTIES OF PERJURY THIS 30th DAY OF MAY,  
2006.

/s/ Joseph Donovan  
Joseph Donovan

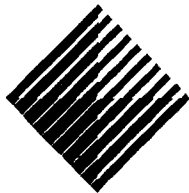
# EXHIBIT A

BLUE HILLS OFFICE PARK, LLC.

ANNUAL REPORT

DECEMBER 31, 2002

COPY



## RUTFIELD & HASSEY, LLP.

*CERTIFIED PUBLIC ACCOUNTANTS*

E. Richard Rutfield, C.P.A.  
Richard Hassey, C.P.A.

15 Court Square • Boston, MA 02108-2588  
(617) 523-7846 • FAX (617) 523-5348

To the Partners of  
Blue Hills Office  
Park, LLC.  
One Washington Street  
Wellesley, MA 02481

We have compiled the accompanying statement of assets, liabilities, and members' equity - cash basis of BLUE HILLS OFFICE PARK, LLC. as of December 31, 2002, and the related statement of revenues, expenses and members' equity - cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Boston, Massachusetts  
March 21, 2003

BLUE HILL 6762

BLUE HILLS OFFICE PARK, LLC.STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY - INCOME TAX BASIS  
DECEMBER 31, 2002ASSETS

## CURRENT

Cash		\$	140,555
Escrow Accounts			2,842,988
Due from Affiliate			<u>7,093,888</u>
			10,077,431

## PROPERTY

Land	\$	3,312,500
Buildings		29,812,500
Building Improvements		6,043,134
Furniture and Fixtures		15,333
Motor Vehicles & Equipment		<u>1,260</u>
		39,184,727

Less: Accumulated Depreciation	<u>17,135,808</u>	22,048,919
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## OTHER

Deferred Costs, Net		<u>444,502</u>
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## TOTAL ASSETS

\$ 32,570,852LIABILITIES AND MEMBERS' EQUITY

## CURRENT LIABILITIES

Mortgage Payable - Current Portion	\$	270,897
Due to Gerald S. Fineberg		25,000
Due to William J. Langelier		<u>25,000</u>
		320,897

## LONG TERM LIABILITIES

Mortgage Notes Payable	\$	32,426,324
Less: Current Portion		<u>270,897</u>
		32,155,427

## MEMBERS' EQUITY

94,528

## TOTAL LIABILITIES AND MEMBERS' EQUITY

\$ 32,570,852

See accompanying notes and Accountant's Report.



BLUE HILLS OFFICE PARK, LLC.STATEMENT OF REVENUES, EXPENSES, AND MEMBERS' EQUITY - INCOME TAX BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2002

## INCOME

Rent		\$ 4,116,388
Cam Reimbursements		2,020,928
Real Estate Tax Escalator		576,004
Percent Rent		58,948
Payroll Reimbursement		58,038
Miscellaneous		5,584
		<u>6,835,890</u>

## OPERATING EXPENSES

Utilities	\$ 942,187	
Real Estate Taxes	586,319	
Cleaning	237,782	
Maintenance Labor	226,806	
Management Fees	222,971	
Repairs/Materials	211,229	
Insurance	142,265	
Trash Removal	30,315	
Payroll Taxes and Benefits	19,745	
Legal and Other Professional	12,908	
Health Club	12,893	
Miscellaneous	4,520	
Telephone	3,732	
		<u>2,653,672</u>

## INCOME BEFORE INTEREST AND DEPRECIATION

4,182,218

Interest	\$ 2,803,016	
Depreciation	1,134,701	
Amortization	18,287	
		<u>3,956,004</u>
		226,214

## OTHER INCOME

Interest		<u>35,171</u>
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## NET INCOME FOR THE YEAR

261,385

Members' Equity January 1, 2002

213,143

474,528

Drawing

( 380,000 )

Members' Equity December 31, 2002

\$ 94,528

See accompanying notes and Accountant's Report.

RUTFIELD &amp; HASSEY, LLP., CERTIFIED PUBLIC ACCOUNTANTS

BLUE HILL 6764

BLUE HILLS OFFICE PARK, LLC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Partnership's financial statements have been prepared on the basis of accounting the Partnership uses for Federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to be a presentation in conformity with generally accepted accounting principles. Under the Partnership's Federal income tax basis of accounting, revenue is recognized at the time cash is received, and expenses are recognized when obligations are paid. No valuation allowances are provided.

Property and Equipment

Property and equipment are stated at cost. Building and improvements are depreciated on a straight-line basis as allowed for tax purposes, generally 31.5 or 39 years. Depreciation expense for the year was \$1,134,701.

Deferred Costs

Financing costs represent loan modification and extension fees, as well as legal costs paid in connection with the initial acquisitions and refinancing of the mortgage notes and promissory note payable, net of amortization. Financing costs are amortized over the lives of the underlying obligations, plus extension periods. Amortization of financing costs totalled \$16,747.

Deferred leasing costs are being amortized over the term of the respective lease. Amortization of deferred leasing costs totaled \$1,540.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Taxes on Income

No provision for income taxes has been made in the financial statements of the Partnership since such taxes are the responsibility of the individual partners rather than of the Partnership.

NOTE 2 - LINE OF BUSINESS

Blue Hills Office Park, LLC., is a Massachusetts LLC organized and formed as of September 14, 1999. The member of the LLC is Royall Associates Realty Trust. The Entity was formed to engage in the business of acquiring, financing, developing, owning, leasing and operating an office building located at 150 Royall Street in Canton, Massachusetts.

BLUE HILLS OFFICE PARK, LLC.NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2002  
(Continued)NOTE 3 - MORTGAGE PAYABLE

In September 1999 the Entity secured a mortgage on the property in the amount of \$33,149,000. The collateral is the real and personal property located at 150 Royall Street Canton, Mass and the assignment of leases and rents. The maturity date is October 11, 2029. The interest rate through October 11, 2009 is 8.49%. After that date the interest rate will go to 13.49% or the treasury rate plus 5% whichever is greater.

The maturities are as follows:

2003	\$ 270,897
2004	297,902
2005	327,292
2006	359,276
2007	390,812
Thereafter	30,780,145
	<u>\$ 32,426,324</u>

The interest expense for the period was \$2,803,016.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Partnership has entered into a management agreement with the Fineberg Management Company, Inc. (a business enterprise wholly-owned by Gerald S. Fineberg) to manage the office building owned by the Partnership. Under the terms of this agreement, the Partnership has agreed to pay the Fineberg Management Company, Inc. a management fee equal to 5% of gross base rents, as defined. Additional certain operating expenses incurred by Fineberg Management Company, Inc., on behalf of Partnership are reimbursed by the Partnership. The fee for 2002 was \$133,783.

Under a separate consulting agreement, Fineberg Management, Inc., has agreed to pay the Montrachet Company, Inc. (a business enterprise owned by William J. Langelier) a consulting fee equal to 40% of management fees earned by Fineberg Management, Inc. The fee for 2002 was \$89,188.

NOTE 5 - RENTAL INCOME UNDER OPERATING LEASES

Future minimum rental income to be received on noncancelable operating leases as of December 31, 2002 is approximately \$4,027,644 and extends through 2004. Generally, leases are for terms of one to five years and contain renewal options. The leases allow for certain property operating costs to be passed on to the tenants. In 2002 98% of rental revenues were received from FleetBoston. The lease with FleetBoston expires on July 31, 2004.

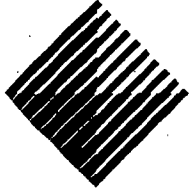
# EXHIBIT B

BLUE HILLS OFFICE PARK, LLC.

ANNUAL REPORT

DECEMBER 31, 2003

COPY



## RUTFIELD & HASSEY, LLP.

*CERTIFIED PUBLIC ACCOUNTANTS*

E. Richard Rutfield, C.P.A.  
Richard Hassey, C.P.A.

15 Court Square • Boston, MA 02108-2588  
(617) 523-7846 • FAX (617) 523-5348

To the Partners of  
Blue Hills Office  
Park, LLC.  
One Washington Street  
Wellesley, MA 02481

We have compiled the accompanying statement of assets, liabilities, and members' deficit – modified cash basis of BLUE HILLS OFFICE PARK, LLC. as of December 31, 2003, and the related statement of revenues, expenses and members' deficit – modified cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Boston, Massachusetts  
April 2, 2004

**BLUE HILL 6750**

BLUE HILLS OFFICE PARK, LLC.STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' DEFICIT - MODIFIED TAX BASISDECEMBER 31, 2003ASSETS

## CURRENT

Due from Affiliate		\$ 9,028,175
Escrow Accounts		<u>3,744,294</u>
		12,772,469

## PROPERTY

Land	\$ 3,119,071	
Buildings	28,071,642	
Building Improvements	6,043,134	
Motor Vehicles & Equipment	1,260	
Furniture and Fixtures	<u>15,333</u>	
	37,250,440	
Less: Accumulated Depreciation	( 18,253,970)	18,996,470

## OTHER

Deferred Costs, Net		<u>427,434</u>
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## TOTAL ASSETS

\$ 32,196,373LIABILITIES AND MEMBERS' DEFICIT

## CURRENT LIABILITIES

Mortgage Payable - Current Portion		\$ 297,902
Cash Overdraft		30,931
Due to Gerald S. Fineberg		25,000
Due to William J. Langelier		<u>25,000</u>
		378,833

## LONG TERM LIABILITIES

Mortgage Notes Payable	\$ 32,150,871	
Less: Current Portion	<u>297,902</u>	31,852,969

## MEMBERS' DEFICIT

( 35,429)

## TOTAL LIABILITIES AND MEMBERS' DEFICIT

\$ 32,196,373

BLUE HILLS OFFICE PARK, LLC.STATEMENT OF REVENUES, EXPENSES, AND MEMBERS' DEFICIT - MODIFIED TAX BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2003

## INCOME

Rent		\$ 4,116,388
Real Estate Tax Escalator		596,491
Cam Reimbursements		1,864,929
Percent Rent		50,486
Payroll Reimbursement		37,001
Miscellaneous		8,420
		<u>6,673,715</u>

## OPERATING EXPENSES

Utilities	\$ 945,320	
Real Estate Taxes	604,532	
Cleaning	263,417	
Maintenance Labor	221,484	
Management Fees	205,817	
Insurance	179,380	
Repairs/Maintenance	166,158	
Legal and Other Professional	86,686	
Materials	64,984	
Payroll Taxes and Benefits	19,544	
Health Club	12,319	
Auto Leasing	6,528	
Trash Removal	4,359	
Fuel Expense	3,000	
Telephone	2,837	
Exterminating	1,275	
Permits and Licenses	250	
Local Taxes	240	
Postage Expense	238	
Dues and Subscriptions	<u>139</u>	<u>2,788,507</u>

3,885,208

## OTHER INCOME

Interest		<u>40,440</u>
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## INCOME BEFORE INTEREST AND DEPRECIATION

Interest	2,780,375	3,925,648
Depreciation	1,118,162	
Amortization	<u>17,068</u>	<u>3,915,605</u>

## NET INCOME FOR THE YEAR

10,043

## Members' Earnings January 1, 2003

94,528
<u>104,571</u>

## Drawing

( 140,000)

## Members' Deficit December 31, 2003

(\$ 35,429)

See accompanying notes and Accountant's Report.

RUTFIELD &amp; HASSEY, LLP, CERTIFIED PUBLIC ACCOUNTANTS

BLUE HILL 6752



BLUE HILLS OFFICE PARK, LLC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Partnership's financial statements have been prepared on the basis of accounting the Partnership uses for Federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to be a presentation in conformity with generally accepted accounting principles. Under the Partnership's Federal income tax basis of accounting, revenue is recognized at the time cash is received, and expenses are recognized when obligations are paid. No valuation allowances are provided.

Property and Equipment

Property and equipment are stated at cost. Building and improvements are depreciated on a straight-line basis as allowed for tax purposes, generally 31.5 or 39 years. Depreciation expense for the year was \$1,118,162.

Deferred Costs

Financing costs represent loan modification and extension fees, as well as legal costs paid in connection with the initial acquisitions and refinancing of the mortgage notes and promissory note payable, net of amortization. Financing costs are amortized over the lives of the underlying obligations, plus extension periods. Amortization of financing costs totaled \$16,747.

Deferred leasing costs are being amortized over the term of the respective lease. Amortization of deferred leasing costs totaled \$ 321.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Taxes on Income

No provision for income taxes has been made in the financial statements of the Partnership since such taxes are the responsibility of the individual partners rather than of the Partnership.

NOTE 2 - LINE OF BUSINESS

Blue Hills Office Park, LLC., is a Massachusetts LLC organized and formed as of September 14, 1999. The member of the LLC is Royall Associates Realty Trust. The Entity was formed to engage in the business of acquiring, financing, developing, owning, leasing and operating an office building located at 150 Royall Street in Canton, Massachusetts.

BLUE HILLS OFFICE PARK, LLC.NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003  
(Continued)

NOTE 3 - MORTGAGE PAYABLE

In September 1999 the Entity secured a mortgage on the property in the amount of \$33,149,000. The collateral is the real and personal property located at 150 Royall Street Canton, Mass and the assignment of leases and rents. The maturity date is October 11, 2029. The interest rate through October 11, 2009 is 8.49%. After that date the interest rate will go to 13.49% or the treasury rate plus 5% whichever is greater.

The maturities are as follows:

2004	\$ 297,902
2005	327,292
2006	359,276
2007	390,812
2008	423,375
Thereafter	30,352,214
	<u>\$ 32,150,871</u>

The interest expense for the period was \$2,780,375.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Partnership has entered into a management agreement with the Fineberg Management Company, Inc. (a business enterprise wholly-owned by Gerald S. Fineberg) to manage the office building owned by the Partnership. Under the terms of this agreement, the Partnership has agreed to pay the Fineberg Management Company, Inc. a management fee equal to 5% of gross base rents, as defined. Additional certain operating expenses incurred by Fineberg Management Company, Inc., on behalf of Partnership are reimbursed by the Partnership. The fee for 2003 was \$123,492.

Under a separate consulting agreement, Fineberg Management, Inc., has agreed to pay the Montrachet Company, Inc. (a business enterprise owned by William J. Langelier) a consulting fee equal to 40% of management fees earned by Fineberg Management, Inc. The fee for 2003 was \$82,328.

NOTE 5 - RENTAL INCOME UNDER OPERATING LEASES

Future minimum rental income to be received on noncancelable operating leases as of December 31, 2003 is approximately \$2,401,000 and extends through July 2004. Generally, leases are for terms of one to five years and contain renewal options. The leases allow for certain property operating costs to be passed on to the tenants. In 2003 98% of rental revenues were received from FleetBoston. The lease with FleetBoston expires on July 31, 2004.

# EXHIBIT C

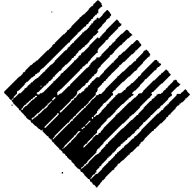
BLUE HILLS OFFICE PARK, LLC.

ANNUAL REPORT

DECEMBER 31, 2004

COPY

BLUE HILL 6755



## RUTFIELD & HASSEY, LLP.

*CERTIFIED PUBLIC ACCOUNTANTS*

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E. Richard Rutfield, C.P.A.  
Richard Hassey, C.P.A.

To the Partners of  
Blue Hills Office  
Park, LLC.  
One Washington Street  
Wellesley, MA 02481

We have compiled the accompanying statement of assets, liabilities, and members' equity – modified cash basis of BLUE HILLS OFFICE PARK, LLC. as of December 31, 2004, and the related statement of revenues, expenses and members' deficit – modified cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Boston, Massachusetts  
September 13, 2005

**BLUE HILL 6756**

BLUE HILLS OFFICE PARK, LLC.STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' DEFICIT - INCOME TAX BASISDECEMBER 31, 2004ASSETS

## CURRENT

Cash		\$ 205,538
Due from Affiliate		9,028,174
Escrow Accounts		3,710,420
Furniture, Fixtures & Equipment Escrow		460,333
Insurance Escrow		35,766
		<u>13,440,231</u>

## PROPERTY AND EQUIPMENT (At Cost)

Land	\$ 3,119,071	
Buildings	28,071,642	
Building Improvements	6,043,134	
Motor Vehicles and Equipment	1,260	
Furniture and Fixtures	15,333	
	<u>37,250,440</u>	
Less Accumulated Depreciation	<u>19,072,070</u>	18,178,370

## OTHER ASSETS

Unamortized Finance Costs		<u>409,972</u>
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## TOTAL ASSETS

\$ 32,028,573LIABILITIES AND MEMBERS' DEFICIT

## CURRENT LIABILITIES

Mortgage Payable	\$ 31,979,794
Due to Gerald S. Fineberg	25,000
Due to William J. Langelier	25,000
	<u>\$32,029,794</u>

## MEMBERS' DEFICIT

(1,221)

## TOTAL LIABILITIES AND MEMBERS EQUITY

\$ 32,028,573

See accompanying notes and Accountant's Report.

RUTFIELD &amp; HASSEY, LLP., CERTIFIED PUBLIC ACCOUNTANTS

BLUE HILL 6757

BLUE HILLS OFFICE PARK, LLC.STATEMENT OF REVENUES, EXPENSES, AND MEMBERS' DEFICIT - INCOME TAX BASISFOR THE YEAR ENDED DECEMBER 31, 2004

## INCOME

Rent		\$ 2,412,399
Real Estate Tax Escalator		323,288
Cam Reimbursements		1,178,861
Percent Rent		20,631
Payroll Reimbursement		20,850
Miscellaneous		131,888
		<u>4,087,917</u>

## OPERATING EXPENSES

Utilities	\$ 548,902	
Real Estate Taxes	276,350	
Insurance	174,532	
Maintenance Labor	169,450	
Cleaning Services	140,950	
Management Fees	130,354	
Legal and Other Professional	69,766	
Repairs and Maintenance	48,693	
Materials	24,956	
Trash Removal	20,353	
Payroll Taxes and Benefits	14,613	
Commissions	10,394	
Auto Leasing	4,063	
Fuel Expense	1,500	
Telephone	1,478	
Health Club	719	
Miscellaneous	600	
Exterminating	475	
Local Taxes	350	
Advertising	208	
	<u>1,638,706</u>	

2,449,211

## OTHER INCOME

Interest		<u>31,653</u>
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## INCOME BEFORE INTEREST AND DEPRECIATION

Interest	\$ 1,611,488	2,480,864
Depreciation	818,100	
Amortization	<u>17,068</u>	<u>2,446,656</u>

## NET INCOME FOR THE YEAR

34,208

## MEMBERS DEFICIT, JANUARY 1, 2004

(35,429)

## MEMBERS DEFICIT, DECEMBER 31, 2004

\$ (1,221)

See accompanying notes and Accountant's Report.

RUTFIELD &amp; HASSEY, LLP., CERTIFIED PUBLIC ACCOUNTANTS

BLUE HILL 6758

BLUE HILLS OFFICE PARK, LLC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Partnership's financial statements have been prepared on the basis of accounting the Partnership uses for Federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to be a presentation in conformity with generally accepted accounting principles. Under the Partnership's Federal income tax basis of accounting, revenue is recognized at the time cash is received, and expenses are recognized when obligations are paid. No valuation allowances are provided.

Property and Equipment

Property and equipment are stated at cost. Building and improvements are depreciated on a straight-line basis as allowed for tax purposes, generally 31.5 or 39 years. Depreciation expense for the year was \$ 818,100.

Deferred Costs

Financing costs represent loan modification and extension fees, as well as legal costs paid in connection with the initial acquisitions and refinancing of the mortgage notes and promissory note payable, net of amortization. Financing costs are amortized over the lives of the underlying obligations, plus extension periods. Amortization of financing costs totaled \$ 17,068.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Taxes on Income

No provision for income taxes has been made in the financial statements of the Partnership since such taxes are the responsibility of the individual partners rather than of the Partnership.

NOTE 2 - LINE OF BUSINESS

Blue Hills Office Park, LLC., is a Massachusetts LLC organized and formed as of September 14, 1999. The member of the LLC is Royall Associates Realty Trust. The Entity was formed to engage in the business of acquiring, financing, developing, owning, leasing and operating an office building located at 150 Royall Street in Canton, Massachusetts. The office building was returned to the lender in January of 2005.



BLUE HILLS OFFICE PARK, LLC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004  
(Continued)

NOTE 4 - RELATED PARTY TRANSACTIONS

The Partnership has entered into a management agreement with the Fineberg Management Company, Inc. (a business enterprise wholly-owned by Gerald S. Fineberg) to manage the office building owned by the Partnership. Under the terms of this agreement, the Partnership has agreed to pay the Fineberg Management Company, Inc. a management fee equal to 5% of gross base rents, as defined. Additional certain operating expenses incurred by Fineberg Management Company, Inc., on behalf of Partnership are reimbursed by the Partnership. The fee for 2004 was \$ 82,328.

Under a separate consulting agreement, Fineberg Management, Inc., has agreed to pay the Montrachet Company, Inc. (a business enterprise owned by William J. Langelier) a consulting fee equal to 40% of management fees earned by Fineberg Management, Inc. The fee for 2004 was \$ 48,025.